

AFS: D. LONGANECKER

(39)

DEPARTMENT OF STATE

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Memorandum of Conversation

DATE: May 6, 1958

SUBJECT: Status of ICA's Efforts to Determine the Interest of American Aluminum Companies in the Volta River Project.

PARTICIPANTS: Mr. Joseph Palmer 2nd, Deputy Assistant Secretary, AF
Mr. C. Vaughan Ferguson, Director, AFS
Mr. W. R. Duggan, AFS
Mr. David Longanecker, AFS
Mr. R. W. Ross, AFS

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~~ICA - 2~~
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~~ED - Mr. Favall~~
~~BNA - Mr. Elrod~~

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ICA-Mr. Van Dyke
Mr. Moffat
Mr. Fleisher
Mr. Buller
Miss Painter
DLF-Mr. Carey

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American Embassy, ACCRA
American Embassy, LONDON.

MAY 20 1958

Mr. Palmer opened the meeting by stating that it appeared to be desirable to recapitulate at this time the status of ICA's efforts to ascertain the interest of American private capital in participating in the Volta River Project in Ghana.

Mr. Fleisher, who has been spearheading this activity in ICA, reported that Aluminum of Canada is not interested in the project at this time but will be glad to make appropriate arrangements with respect to its bauxite concessions in Ghana with any other company or companies interested in participating. Reynolds Metal and Kaiser Aluminum are definitely interested if assured of cheap power, but only the former is willing to invest a substantial amount in the project. The Kaiser Company, however, comprising both engineering and aluminum industry operations, is interested in participating in the entire project, not only in the aluminum operation but also in the engineering and construction of the whole project. Mr. Fleisher feels that it would be desirable for an American firm, such as Kaiser, to undertake supervision of the engineering and construction of the entire project. He felt that power could be produced for 3.5 mills per kWh.

Mr. Fleisher said that Professor Lewis, economic adviser in the Ghana Government informed him last week that the Government does not propose to put any money into the dam and power facilities, but is thinking of confining its financing to the other public segments of the project; i.e., the roads, railways, housing, and the port of Tema. The Government is proposing to spend E39 million (\$109.2) on these whether or not the Volta Project is undertaken. Mr. Fleisher felt that the prospect for financing Volta have improved in view of the interest of the two American

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aluminum companies. Its chances would be further advanced if the Ghanaian Government can be persuaded to abandon what may be termed as the "frill" facilities, i.e., the permanent housing, roads, etc., and confine the project to the essential productive elements. If the Ghanaian Government would provide \$80 million for the dam, power plant and transmission facilities, it would provide a substantial basis for interesting other sources in financing the remaining \$80 million required for this part of the project. Another \$221 million would be needed for the railways, housing, port, and similar facilities for which the Government, however, is proposing to provide \$109 million in any event. The aluminum smelter and mining operations are estimated to require an investment of \$256 million. These component costs add up to a total of \$637 million.

As Professor Lewis requested, Mr. Flesher is going to consult the Allen Company in New York concerning its interest. This is a company with which Mr. Slagle now claims to be associated.

Mr. Moffat said that during his recent stay in Ghana he asked Commander Jackson how much the Ghanaian Government would put into the project, and Commander Jackson mentioned a considerably larger figure than the \$39 million mentioned by Professor Lewis last week. Mr. Moffat wondered whether Aluminium Limited (Canada) might reconsider its position of disinterest now that several American companies appeared to be willing to participate. Mr. Flesher responded with the view that Aluminium might reconsider to the extent of a very minor participation.

Mr. Palmer stated he would like to develop a concise summation of the situation and views on where this Government should go from here. Mr. Flesher expressed the view that if the two American companies are willing to commit themselves to the project, it should be discussed again with the Ghanaian Government and an attempt made to persuade the latter to rephrase it, eliminating the so-called "frills" and concentrating on getting the dam and power facilities financed and underway. It might be fruitful to try to obtain some financing, even though in token amount, from the British Government. The Ghanaian Government may be able to get the project underway by putting up a sizeable enough portion of the financing required for the power facilities to influence the IBRD to make a loan covering the balance. This done, the Ghanaian Government should be able to interest one or more private aluminum companies in active participation in financing and operating the mining and smelter facilities.

Mr. Palmer mentioned that Prime Minister Nkrumah in his letter to President Eisenhower mentioned that some \$225 million of Government funds and approximately \$160 million of private capital would be required for the first stage of the project and an additional \$15 million and \$100 million, respectively, for the final stage. These figures totaled \$500 million compared with the \$637 million mentioned by Mr. Flesher and the around \$900 million estimate in the Preparatory Commission's report when raised by the recommended 40-50 percent

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for the cost increase expected before the project could be completed.

Mr. Flesher commented to the effect that if the Ghanaian Government put up \$80 - \$100 million, the IBRD should be willing to loan the balance of \$60 - \$80 million if the Government could assure aluminum industry participation.

Mr. Palmer asked what our next step should be, and it was agreed that the Ghanaian Government should be informed of the status of ICA's "catalytic" effort.

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